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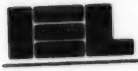
Industrial
Estates
Limited

The Nova Scotia
Crown Corporation
for the Development of
Secondary Industry



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Annual Report
for the
fiscal year ended
march 31 1983

DIRECTORS

F.T. Barber
J.L. Bragg
F. Cosman
J.J. Grant
S.M. Hickey
G.C. McDade
J.D. McNiven
K.A. Mader
R.W.M. Manuge
J.E.A. Nickerson
W.S. Robertson
L.R. Shaw
W.L. Single
D.M. Smith
F.T. Stanfield
Hon. R.J. Thornhill
R.F. Weary

ADVISORY COUNCIL

Purdy Crawford
Lord David Garnock
H. Gordon MacNeill
Malcolm McAlpine
C. Peter McColough
Sir David Nicolson
Hon. Victor deB. Oland
John A. Scrymgeour

OFFICERS

President and Chief Executive Officer ..... W.L. Single
Vice President, Finance ..... W.D. Ring
Secretary ..... S.M. Henman
Assistant Secretary ..... F.M. LeTourneau
Controller ..... C.F. Ottman

AUDITORS

TOUCHE ROSS & CO.

REPRESENTATIVE OF THE PROVINCE OF NOVA SCOTIA

HONOURABLE R.J. THORNHILL

Minister of Development

June 30, 1983

Honourable Roland J. Thornhill
Minister of Development
Province of Nova Scotia
Suite 1001
5151 George Street
Halifax, Nova Scotia

Dear Mr. Minister:

I am pleased to present on behalf of the Board of Directors of Industrial Estates Limited our 26th Annual Report including the audited financial statements for the year ended March 31, 1983.

During the year, the Board of Directors approved financing for 14 projects totalling $7,021,490.

Industrial Estates Limited entered into agreements with two new clients to establish or expand facilities in Nova Scotia. An agreement was signed with Nautical Electronic Laboratories Inc., Hacketts Cove. This company is involved in high technology and expanded their production to include the manufacture of transistorized commercial broadcast transmitters.

With the increase in oil exploration activities on the Scotian Shelf, IEL received a number of proposals from companies who wanted to invest in new facilities and operations. Among those companies taking advantage of the emerging spinoff of activities in the oil and gas industry is Novex Mining and Exploration Company Limited of Enon, Cape Breton. The company produces a special mud used in drilling operations, the prime function of which is to prevent well blowouts.

A number of facilities have been reactivated during the year. Among them was the former Nova Design and Manufacturing facility in Lunenburg which was taken over by Nova Wood Craft Limited to produce contract millwork and furniture. IEL was also successful in reactivating the former MacGregor Bedding plant in Coalburn. A new company, called MacGregor Bedding Inc., was formed to manufacture bedding products.

We are also nearing completion of an agreement to sell the former HMW Industries facility in Dartmouth. The company employed 109 people in the Dartmouth plant and the sale of this plant will mean that most of these jobs will be saved.

During the past year, many of IEL's clients have been faced with smaller markets and increased operating costs. Because of these very difficult economic times, a great deal of IEL management's time and energy was devoted to saving companies experiencing financial difficulties. IEL worked very closely with these companies and assisted them in reorganizing their operations so that they would be in a position to take advantage of the turnaround in the economy, which commenced early in the year.

Although, in a lot of cases, the work done by IEL with existing clients does not reflect an increase in loans on the balance sheet, the benefits to the Province are accrued from helping these companies stay in business, thus maintaining existing jobs.

INDUSTRIAL PARKS

IEL's industrial park holdings increased to twelve during the past year with the purchase by the Province of the new Eastern Shore Park in East Chezzetcook. IEL's investment in industrial parks and buildings rose by $1,122,762 to $14,676,519.

The Eastern Shore project and the new facilities being built in Woodside for the Ocean Industries Park were the two major construction activities carried out by this division.

In East Chezzetcook, infrastructures consisting of roads, a water pumping station and a waste treatment facility have been constructed at a cost of approximately $2.25 million to accommodate Canflock Industries Inc. and to create additional serviced sites.

In Woodside, approximately half of the total funding of $7.9 million provided for infrastructure under the Canada-Nova Scotia Subsidiary Agreement for Ocean Industry Development has been expended to clear, grub and grade some 70 acres of land and to prepare sites for heavy ocean-related industries. Major progress has also been made in the construction, now two-thirds complete, of a new 450 foot long wharf. All this work will be completed in the latter part of 1983.

IEL's twelve industrial parks contain a total of 3,900 acres, of which 600 acres are fully serviced and ready for sale. With an almost total absence of land sales this past year, IEL's Directors urge that no further Provincial Government funding be provided for new industrial parks or malls until significant demand begins to deplete this very considerable land inventory.

The following is a comparison of the significant information in the financial statements between the years ended March 31, 1983 and 1982:

	1983	1982	Increase (Decrease)
Total investment in Industrial Development Projects	$140,413,303	$134,952,044	$5,461,259
Twenty Year Debentures issued to Province of Nova Scotia	125,692,711	123,974,990	1,717,721
Equity owned by Province of Nova Scotia	11,267,340	6,899,622	4,367,718
Income, including Industrial Parks Revenue	12,511,928	13,332,048	(820,120)
Interest Expense	11,790,736	11,777,079	13,657
Development & Administrative Expenses	626,079	1,352,361	(726,282)
Industrial Park Expenses	696,252	833,587	(137,335)
Provisions for Losses on Doubtful Accounts, Investments and Unrecoverable Expenses on Foreclosed Investments *	(30,358)	645,921	(676,279)
Deficit from Operations covered by grant from the Province of Nova Scotia	570,781	1,276,900	(706,119)

* See Note 3 to financial statements.

DIRECTORS AND STAFF

During the year, the Directors held ten Board Meetings. Mr. Rod J. MacLennan resigned as a Director and Chairman of the Finance Committee in the latter part of the year. Mr. MacLennan's contribution to IEL is very much appreciated and his counsel will be greatly missed. We have one new Director, Mr. F. Thomas Stanfield, President of Stanfield's Limited, Truro, who was elected in February of 1983. I am pleased that he has agreed to make his expertise available to IEL.

Near the end of the year, Mr. Clary Ottman resigned his position as Controller to accept a new position with the Canada Post Corporation. Subsequent to the year end, Mr. Peter G. Budreski, C.A. was appointed Controller and an Officer of the company.

ACKNOWLEDGEMENTS

I wish to express my appreciation to the Directors, Officers and staff for their support during the past year. IEL's appreciation is also extended to your Department of Development from whom we have received valuable assistance. The transfer to your Department of our former development staff was finalized during the year and I wish to report that the IEL staff are working closely with this group to ensure the maximum results with respect to proposals for financing.

Special mention should also be made of the co-operation we enjoy with the Department of Finance. As well, I want to express my gratitude to the Federal Departments of Regional Economic Expansion and Industry, Trade and Commerce for the co-operation and assistance they have given during the past year.

OUTLOOK

This was the most difficult year for business and new investments since IEL was established in 1957. There are, however, definite signs of a turnaround in the economy. Declining interest rates will generate consumer confidence, which should result in an increase in sales. This will help to activate the under-utilized manufacturing capacity and improve corporate profits, thus permitting companies to move ahead with capital spending plans.

A large proportion of new investment is still centered around the oil and gas industry, and while this sector and the resulting spinoff in manufacturing is significant, renewed efforts must be made to expand the Province's manufacturing base, particularly in the area of high technology.

Respectfully submitted on behalf of the Board.

W Leslie Single

W. Leslie Single, P. Eng.
President and Chief Executive Officer

SUMMARY OF FINANCIAL HIGHLIGHTS

	1983	1982	1981	1980	1979	1978
Investment in industrial development projects	$140,413,303	$134,952,044	$139,408,252	$135,191,220	$124,858,598	$135,284,672
Debentures issued to Province of Nova Scotia	125,692,711	123,974,990	132,051,410	130,577,210	121,831,470	128,360,956
Income, including industrial parks revenue	12,511,928	13,332,048	12,942,233	11,330,347	10,856,436	10,467,743
Interest expense	11,790,736	11,777,079	11,236,770	10,405,513	11,347,964	11,075,412
Operating expenses	1,322,331	2,185,948	2,267,411	2,025,666	1,848,295	1,363,683
Provision for losses on doubtful accounts and investments and unrecoverable expenses on foreclosed investments .	(30,358)	645,921	816,845	862,823	523,177	771,648
Deficit from operations covered by grant from the Province of Nova Scotia .	570,781	1,276,900	1,378,793	1,963,655	2,863,000	2,743,000

AUDITOR'S REPORT

The Shareholders
Industrial Estates Limited

We have examined the statement of financial position of Industrial Estates Limited as at March 31, 1983, and the statement of income for the year then ended, and have obtained all the information and explanations we have required. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, and as shown by the books of the company, these financial statements present fairly the financial position of the company as at March 31, 1983, and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE ROSS & CO.
Chartered Accountants

Halifax, Nova Scotia
May 4, 1983

STATEMENT OF FINANCIAL POSITION
as at March 31

	1983	1982
ASSETS		
Cash and short-term investments	$ 23,323	$ 1,378,479
Accounts receivable and accrued interest	1,960,986	1,945,522
Furniture, leasehold improvements and equipment (Note 2a)	92,176	76,577
	2,076,485	3,400,578
Industrial Development Projects		
Industrial parks and buildings (note 2b)	14,676,519	13,553,757
Leased plants (Schedule 2) (Note 2b)	19,766,644	19,689,495
Advances secured by mortgages, bonds and debentures (Schedule 2)	98,657,861	98,939,998
Shares of client companies (Note 2b)	150,077	350,076
Foreclosed investments (Note 2b)	7,162,202	2,418,718
	140,413,303	134,952,044
Provision for losses on Industrial Development Projects (Schedule 1) (Note 3)	3,455,502	4,152,985
	136,957,801	130,799,059
	$139,034,286	$134,199,637
LIABILITIES		
Accounts payable and accrued charges	$ 1,415,394	$ 633,636
Accounts payable - Province of Nova Scotia	41,039	44,766
Loan payable - Province of Nova Scotia	500,000	2,500,000
Unexpended amounts pending completion of realization of foreclosed assets	117,802	146,623
Debentures payable - Province of Nova Scotia (Note 4)	125,692,711	123,974,990
	127,766,946	127,300,015
SHAREHOLDERS' EQUITY		
Capital stock (Note 6)	11,267,340	6,899,622
	$139,034,286	$134,199,637

Commitments and Contingencies (Note 7)

On behalf of the Board
G.C. McDade, Director
W.S. Robertson, Director

STATEMENT OF INCOME
for the Year Ended March 31

	1983	1982
Income		
Interest, dividends and portion of rent applied to income	$11,815,676	$12,498,461
Industrial park revenue (Schedule 1)	696,252	833,587
	12,511,928	13,332,048
Expenses		
Development and administrative (Schedule 1)	626,079	1,352,361
Industrial park expenses (Schedule 1)	696,252	833,587
Interest on debentures and promissory notes	11,790,736	11,777,079
Provision for doubtful accounts	189,169	72,522
Provision for losses on investments (Schedule 1) (Note 3)	(701,313)	422,742
Unrecoverable expenses on foreclosed investments	481,786	150,657
	13,082,709	14,608,948
Deficiency for the year	$ 570,781	$ 1,276,900
Grant from Province of Nova Scotia	$ 570,781	$ 1,276,900

NOTES TO THE FINANCIAL STATEMENTS
March 31, 1983

1. General Policy

The company's primary objective is the creation of employment opportunities through development of secondary manufacturing industry in the Province of Nova Scotia. The financing provided to clients is often in excess of the amounts which would be available through commercial financing sources.

2. Significant Accounting Policies

a) Furniture, Leasehold Improvements and Equipment

Furniture, leasehold improvements and equipment are valued at cost less accumulated depreciation. Depreciation is provided as follows:

Furniture, leasehold improvements and office equipment	- straight-line method, over ten years
Mobile equipment	- declining-balance method, at a rate of 30% per annum

b) Industrial Development Projects

i) Industrial Parks and Buildings

As part of its long-term industrial development program, the company has acquired a number of industrial parks throughout the Province. These parks consist of land in various stages of development from unimproved to fully developed and serviced lots. The parks also include some buildings which are mainly used as incubator malls.

The buildings in the parks are carried at cost less depreciation calculated on the straight-line method over 20 years. At March 31, 1983, the net book value of park buildings was approximately $1,313,000.

Park lands are carried at cost of acquisition plus cost of improvements, less proceeds of disposals. Most administrative and carrying costs of parks are reimbursed by operating fees and the remainder are expensed as they are incurred. As the parks are held in connection with the company's long-term development objectives, fluctuations in current market values are not recognized in the accounts.

ii) Leased Plants

Leased plants are valued at net cost.

Depreciation has not been provided on buildings and equipment owned by the company and leased to tenants. Values have been reduced by application of a portion of rentals received to the option price at which tenants may acquire these properties. The portion of rentals so applied during the year was $999,649. At March 31, 1983, the accumulated balance of such reductions amounted to $9,083,628.

iii) Shares of Client Companies

Shares of client companies are stated at cost.

iv) Foreclosed Investments

Foreclosed investments include amounts invested, loaned or expended by the company in connection with plants where foreclosure action has been taken, and the company is in the process of realizing on its security.

3. Investments in Industrial Development Projects

As at March 31, 1983, the net amount invested in Industrial Development Projects was $140,413,303, and the provision for losses on Industrial Development Projects amounted to $3,455,502.

The company considers that its investments in Industrial Development Projects are subject to a possible decline in value estimated to be $5,721,185. The company has requested and received from the Province of Nova Scotia an undertaking that should a loss be incurred by Industrial Estates Limited on realization of its investments in Industrial Development Projects in excess of the reserve of $3,455,502 as shown on the financial statements, the Province will reimburse such loss up to an amount of approximately $2,300,000. The company considers that the provision for losses on Industrial Development Projects of $3,455,502 together with the undertaking of the Province is adequate.

4. Debentures Payable - Province of Nova Scotia

Under the existing legislation, the company is permitted to borrow from the Province by means of the issue of twenty-year debentures. The total borrowings, less redemptions, may not exceed $400,000,000.

The debentures bear interest at rates varying from 7.5 percent to 15.04 percent per annum, and are to be redeemed during the period 1983 to 2002. Present arrangements with the Province of Nova Scotia provide for redemptions of the existing debentures at the rate of $10,262,254 a year for the next five years.

5. Preferred Shares

During the year, the company issued 3,191,383 preferred shares to the Province of Nova Scotia as consideration for expenditures on behalf of the company in connection with industrial parks.

Included in the commitments set out in Note 7 is an amount of approximately $6,500,000 representing additions to industrial parks. It is anticipated that these commitments will be settled by the issuance of additional preferred shares to the Province of Nova Scotia.

6. Capital Stock

			1983	1982
Authorized:	100	common shares of $100 par value each		
	24,990,000	8% preferred shares, non-cumulative and redeemable, par value $1		
Issued:	87	common shares ...	8,700	8,700
	11,258,640	preferred shares .	11,258,640	8,067,257
			11,267,340	8,075,957
Less: Subscriptions receivable - Province of Nova Scotia				1,176,335
			$11,267,340	$6,899,622

7. Commitments and Contingencies

a) The company is committed to investments in Industrial Development Projects of approximately $20,900,000 in addition to those recorded in the financial statements.

b) A former client of the company has taken action against Industrial Estates Limited and others alleging fraudulent action by Industrial Estates Limited and its agents in connection with foreclosure action taken by Industrial Estates Limited and the subsequent sale of the plant to another party. In addition to asking for a declaration that all of the assets be reconveyed to the plantiff, the plaintiff also seeks an award of general, exemplary, punitive damages and costs. No dollar amount is set out in the pleadings filed by the plaintiff. Industrial Estates Limited has denied the allegations, has taken steps to oppose the action, and has made no provision for any liability in this matter as it does not regard the claim as having any validity.

8. Development and Administrative Expenses

The development and administrative expenses as shown on Schedule 1 are not comparable to the prior year due to the transfer of development and promotion staff to the Department of Development.

SCHEDULE 1

INDUSTRIAL PARKS REVENUE AND EXPENSES
for the Year Ended March 31

	1983	1982
Revenue		
Rental revenue	$ 330,585	$ 375,335
Operating fees	365,667	458,252
	$ 696,252	$ 833,587
Expenses		
Property operating	$ 314,847	$ 461,068
Salaries, wages and benefits	257,239	236,586
Depreciation	75,663	83,721
Assistance to Industrial Commissions (net of DREE recoveries)	---	8,411
Travel	8,103	8,701
Administrative overhead	40,400	35,100
	$ 696,252	$ 833,587

ANALYSIS OF DEVELOPMENT AND ADMINISTRATIVE EXPENSES
for the Year Ended March 31

	1983 (Note 8)	1982
Salaries and employee benefits	$ 407,990	$ 764,326
Rent	56,113	98,336
Travel	20,876	91,844
Advertising and promotion	8,309	167,476
Telephone and telegraph	24,232	40,897
Directors' fees and expenses	22,969	31,736
General office and miscellaneous	10,793	16,867
Printing, stationery and postage	11,043	21,736
Insurance and taxes	18,995	24,744
Legal and audit	19,697	26,750
Conferences, memberships and publications	13,347	20,996
Consultants' fees	3,734	33,438
Depreciation - furniture, fixtures and improvements	7,981	13,215
	$ 626,079	$ 1,352,361

ANALYSIS OF PROVISION FOR LOSSES ON INDUSTRIAL DEVELOPMENT PROJECTS
for the Year Ended March 31

	1983	1982
Balance at beginning of year	$4,152,985	$4,390,501
Transfer to Small Business Development Corporation	---	253,000
	4,152,985	4,137,501
Increase (decrease) in provision during year (Note 3)	(701,313)	422,742
	3,451,672	4,560,243
Net amounts written off (recovered)	(3,830)	407,258
Balance at end of year	$3,455,502	$4,152,985

SCHEDULE 2

CUMULATIVE ANALYSIS OF COST OF LEASED PLANTS
for the Year Ended March 31

	1983	1982
Net cost of leased plants		
Balance at beginning of year	$ 27,773,374	$ 25,008,127
Investment and transfer from industrial parks	1,076,898	2,864,556
	28,850,272	27,872,683
Disposals	---	99,309
Balance at end of year	28,850,272	27,773,374
Rentals applied in reduction of cost		
Balance at beginning of year	8,083,979	7,202,594
Rentals applied to reduce cost	999,649	937,138
	9,083,628	8,139,732
Disposals	---	55,853
Balance at end of year	9,083,628	8,083,879
Net cost after application of rental reductions	$19,766,644	$19,689,495

ANALYSIS OF ADVANCES SECURED BY MORTGAGES, BONDS AND DEBENTURES
for the Year Ended March 31

Balance at beginning of year	$ 98,939,998	$109,420,025
Transfer to Small Business Development Corporation	---	3,773,549
	98,939,998	105,646,476
Investments during year	11,018,646	5,046,512
Capitalized interest	1,437,085	1,226,248
	12,455,731	6,272,760
Transfers to foreclosed investments	4,435,897	2,477,344
Repayment during year	8,301,971	10,501,894
	12,737,868	12,979,238
Balance at end of year	$98,657,861	$98,939,998